



British High Commissioner

Rt Hon Helen Liddell

*Major developments in the European
Union during the UK Presidency*

**National Europe Centre
Australian National University**

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Acknowledgements

Dr John Gage, Deputy Director of the Centre.

Your Excellencies, my European colleagues,

Ladies and Gentlemen.

Introduction

Let me begin by thanking the Centre for this initiative. I hope that it becomes a regular event for future Presidencies.

Let me also thank my Dutch colleagues for their effort in overseeing the work of the Presidency in Australia for a full 12-month period before handing over to the UK.

The Dutch Embassy not only oversaw their own Presidency, but that of Luxembourg,

which is one of five European Union Member states without diplomatic representation in Australia.

The Presidency

This is the sixth time the UK has held the Presidency, although my first as a diplomat, having begun my diplomatic career on handing over my letter of introduction on 8 July.

As a Treasury Minister I chaired the Budget Council and took the UK seat in ECOFIN during our last Presidency in 1998. So I know about the workload from all angles, and holding the Presidency of the Council of the European Union brings very broad responsibilities – and a very heavy workload.

The Council of the European Union is the main decision-making body of the EU, and consists of the ministers of the member states. Depending on the issue on the agenda, each country will be represented by the minister responsible for that subject, for example, foreign affairs, finance, social affairs, transport, agriculture.

The European Council consists of Heads of State and Government of the Member States, their Foreign Ministers and the President of the Commission. The next Council will be held in Brussels beginning tomorrow.

For those not fully steeped in the minutiae of European Union processes, the workload of

the Presidency in Australia involves three broad responsibilities.

The first is organising and chairing meetings of the Council and its working groups, and thus here in Canberra I have hosted our monthly Heads of Mission meetings, while my staff has arranged the round of regular meetings of cultural, science, economic and other staff.

Secondly, the Presidency represents the Council in Europe's dealings with other bodies and countries – for example, the UN or Australia.

And finally, the Presidency must ensure that outstanding negotiations from the previous

Presidency are taken forward, and if necessary are handed on to the following Presidency.

Starting position

So, what did the UK inherit from the Luxembourg Presidency?

With the immediate past and future Presidency nations, including Luxembourg, we had agreed a three-year programme to drive forward reform – recognising that it is simply not realistic to solve every problem in 6 months.

And so Luxembourg sought to take the agreed issues as far as possible before handing over to the UK, and we in turn to Austria.

Thus we inherited previous work toward reforming the Common Agricultural Policy – particularly the June 2003 reform that broke the link between the subsidy paid to farmers and the type or volume of production.

Many of the CAP issues were quite critical for the future budget of the Union, especially given the enlargement of 2004 and the planned further enlargement of 2007.

However, despite good progress in many areas – law and justice, for example - it is true that we acceded to the Presidency at a difficult time for Europe. Hard questions were being asked – not only about the future, but even about the present, shape of the Union.

French and then Dutch voters had rejected the proposed European Constitution. The pundits had a field day in trying to attribute the rejection to this or that cause. Accusations and counter-accusations flew.

And then, on 20 June, the European Council in Brussels ended without agreement on the EU's finances for the period 2007 to 2013.

Bluntly, the prospects for a breakthrough on key areas during our Presidency looked bleak.

On 23 June, Prime Minister Blair addressed the European Parliament on our agenda.

It is worth restating some of his points – particularly his outright rejection of the

suggestion that the French no vote was a rejection of an “Anglo-Saxon” or “free market” Europe.

From Britain’s perspective, European leaders had lost sight of the goal behind our very existence -- to improve the lives of its people.

As Mr Blair put it, Europeans are worried about globalisation, job security, the future of their pensions, living standards, change in their societies, and thus the Constitution became the vehicle for registering discontent with the state of affairs in Europe.

“The world is unrecognisable from that we experienced as students 20, 30 years ago.

When such change occurs, moderate people

must give leadership. If they don't, the extremes gain traction on the political process. It happens within a nation. It is happening in Europe now.

“It is time to give ourselves a reality check. To receive the wake-up call. The people are blowing the trumpets round the city walls. Are we listening? Have we the political will to go out and meet them so that they regard our leadership as part of the solution not the problem?”

The United Kingdom's Agenda

So, in the uncertain European political climate of June 2005, what did the UK set as its priorities and objectives for the Presidency?

Our primary objective was to seize upon the opportunity offered of our joint Chair of the G8 and Presidency of the EU to promote a common agenda of Africa and climate change.

We set an objective to achieve real progress on Africa, on aid and development, building on the Commission for Africa Report and recognising the vital role that trade liberalisation plays in helping lift developing nations out of the cycle of poverty.

On climate change a priority was to coordinate an EU strategy for the Montreal UN Climate Change conference, encourage technology to reduce emissions, and to examine the extension of the EU emissions

trading scheme to cover aircraft emissions – and I am pleased to say there has been significant progress.

Just last week the Environment Council agreed to the UK's proposal that emissions trading would be the best way forward in tackling aviation emissions.

And, in Montreal, the UN Climate Change Conference achieved very important agreement that the global community -- including the United States, India and China – will work together through the United Nations process to examine the way forward.

The European Union went to Montreal determined to achieve three things:

- to implement the Kyoto Protocol
- to improve the Clean Development Mechanism, and
- to be innovative about the future.

We achieved these aims – we gave the Kyoto Protocol a future beyond 2012.

Earlier, using our joint Presidencies, the UK was able to achieve real progress at the G8 summit at Gleneagles – which included the leaders of four European Union members, the UK, France, Germany and Italy.

Gleneagles commitments to Africa will mean the end of 13,000 preventable deaths every day, will save the lives of 600,000 African

children by preventing malaria, provide six million Africans with anti-AIDS drugs over the next five years, and eradicate polio.

In addition, 20 million more school places will be available, and five million orphans will receive care.

And, under our Presidency, on 22 November the Council and the Commission agreed a new EU common development policy.

In May, EU Development Ministers had agreed to increase aid to 0.56 percent of national income by 2010, in order to reach 0.7 percent by 2015 – a doubling of EU aid over the next five years.

The new policy will increase the efficiency of the EU's aid efforts – in part by putting a greater emphasis upon the Millennium Development Goals, and by putting poverty eradication at the core of the EU's aid effort.

It also focuses on the promotion of good governance, human rights and democracy – one of the key global objectives of the United Kingdom – and seeks to ensure that aid policy is linked with foreign, security, trade, migration, environment and employment policies.

The agreement on aid and development will reinforce the EU's position as the world's biggest aid donor -- 36 billion euro in 2004, or

56 percent of the world's Official Development Aid.

On climate change, the Gleneagles meeting agreed the G8 + 5 talks, which began in London on 1 November. The UK believes very strongly that climate change must be tackled now – failure to do so will not only exacerbate environmental damage but also increase competition for carbon fuels and thus place real pressure on energy prices.

Our European partners largely share our concerns.

Other Presidency priorities

Top of our other priorities was economic reform. For example, the policy making process within the Union need to be improved by better consultation with affected parties, and through the introduction of Impact Assessments to, in part, measure the burden of proposed policies on business and on the EU's international competitiveness.

This Assessment process should also be extended to reviewing the impact and outcomes of existing legislation – with the objective of reducing its size and complexity.

In March the Commission published the “Better Regulation for Growth and Jobs in the European Union”. This was a welcome move,

but the UK would like to see some concrete progress toward the goal.

Another positive step forward was the Commission's proposal last month to reduce legal barriers and costs for cross-border payments – a move estimated to save the EU economy between 50 and 100 billion euros per year.

The proposal would allow payments between EU countries by credit card, debit card, electronic bank transfer, direct debit or any other means as easy, cheap and secure as payments made within an EU country.

The Commission has estimated that a more efficient payments market will also

dramatically cut banking costs for European citizens – some of whom pay an average of 252 euros a year for basic banking.

However, while the UK welcomes progress on regulation, the big issue remains sensible reform of the Union's own finances.

Without budgetary reform, the Union's finances will be under serious pressure – we cannot in 2013 still afford to divert 40 per cent of the total European budget to agricultural subsidies, for example.

Any deal will need to allow the EU to make a success of the enlargement; while increasing the competitiveness of the EU. It will have to

assist in boosting Europe's economy and therefore creating more and better jobs.

Over the past two weeks, Tony Blair has met or held discussions with the leaders of each of the other 24 European Union member states, and the Commission, ahead of the summit in Brussels starting tomorrow.

The UK has proposed a deal on the budget that would impose significant additional discipline to the budget – with the aim of reducing the total spend to less than one per cent of Gross National Income of the member states by the end of the budget period.

But the proposal also includes 150 billion euros of structural funding for the new member states – in today's prices that's twice

the amount of the post World War Two Marshall Plan which funded the rebuilding of western Europe.

For example, Hungary would receive 22 billion, the Czech Republic 23 billion euros and Poland 56 billion – funds to pay for roads, railways and other reconstruction projects in the east.

The UK believes that improvements to the infrastructure of the former Communist states is vitally important to their --- and the EU's – future prosperity.

Indeed, the UK believes these so important that we are offering an additional eight billion euros for reconstruction over the budget

period.

The UK's total contribution to the budget under these proposals is 58 billion euros – while retaining the rebate. Even with the rebate, Britain has paid twice as much as France and Italy – although all three have similar sized economies.

Our proposal would mean that for the first time the UK would pay as a percentage of national income about the same as France and Italy.

Fourth, these proposals ensure there can be no fundamental change in the rebate without fundamental reform of the Common Agricultural Policy. All spending, including on

agriculture, will be subject to a review during the coming budget period.

A deal on the budget now is vital. The facts are known, the positions of the parties are known, and if compromise and agreement is not achievable now it is hard to see any reason why it would be achievable under either the Austrian or the Finnish Presidencies.

And no agreement by 2007 means responsibility for the budget transfers to the European Parliament to prepare on an annual basis – under rules that would give the newer states about one third of the spending they would get under a deal now.

We can only await the outcome of the Summit with hope. Mr Blair believes after his discussions that a “general will” exists to reach an agreement.

Of course, reaching an agreement among 25 nations – any one of which could veto the whole thing – is notoriously difficult. And the CAP remains a key area for debate.

However, there has been progress on another important agricultural issue.

The EU has already agreed to reform the sugar regime by cutting the guaranteed sugar price by 36 percent over the next four years.

Farmers will now receive a direct payment largely de-coupled from production.

On the related issue of trade liberalisation, the UK has been pushing for the EU to improve its negotiating offer for the Doha Round – particularly on agricultural subsidies.

On 28 November, the EU tabled a new offer on agriculture proposing significantly further cuts than agreed in the last Uruguay Round – although the EU offer was conditional on immediate movement in negotiations on trade in industrial goods and services.

The new European offer ensures that the higher the original tariff, the higher the reduction.

Trade Ministers from around the world are meeting in Hong Kong even as we speak. It is fair to say that progress is necessary, but will be difficult.

One other priority area for us – cutting across both economic and international relations – was to make progress on a range of important regulatory issues with the United States.

To that end, the UK hosted the first informal EU-US economic ministerial meeting, and I am pleased to say that the meeting agreed to action to tackle the most significant issues in the transatlantic economy, including Intellectual Property Rights (IPR), regulatory co-operation, trade and security and improving

innovation.

Energy

On energy, the United Kingdom wanted to see further work on consolidation of the Single Market in energy, and more development of energy efficiency and renewables.

From our perspective it was therefore pleasing to see the substantive debate on these issues at the Energy Council meeting in early December, particularly the Commission's reports on better regulation and the state of the European internal market on electricity and gas.

We recognise that secure supplies of electricity and gas at competitive prices, available through open and competitive markets, and with proper consumer protection, are crucial to European business competitiveness – and there has been progress toward the second electricity and gas directives leading to full market opening in July 2007.

The Commission will now take forward work on effective competition issues, such as unbundling wholesalers and retailers, fair network access, greater integration of national energy markets at a regional level, and additional cross-border infrastructure.

But the Council also recognised the need to balance competitive markets, security of

supply and environmental compatibility.

REACH

Another UK priority was progress on chemicals regulation. The European Parliament has now adopted the proposed regulation for the registration, evaluation and limited authorisation of chemical products – known as REACH. – and an issue of considerable interest to our Australian hosts.

The adopted resolution was a compromise between the demands of SMEs on the one hand, which feared that the new legislation would put too much pressure on them, and the need to protect consumers and the environment on the other hand.

Security

Another Presidency priority was security. Little could we know, of course, that our Presidency would begin with co-ordinated attacks on London's transport system – killing 52 including an Australian.

That attack coincided with the G8 summit at Gleneagles – and Britain greatly appreciated the unstinting support of our European friends during that difficult period.

Building on that long-standing co-operation on security, two weeks ago, Tony Blair and Spanish PM Jose Luis Rodriguez Zapatero

chaired the Euromed Summit of European and Middle Eastern nations.

Europe has long co-operated on law and justice, and specifically on counter-terrorism. The Euromed summit in Barcelona reinforced that co-operation and extended it to include leaders from the Middle East.

Terrorism is a scourge for all nations – and the Euromed commitment to a new “code of conduct” which rejects any attempts to associate terrorism with any nation, culture or religion, will help the fight against terror.

The commitment reiterates a “total condemnation of terrorism in all its forms”,

and a determination to eradicate it and combat its sponsors.

Euromed brings together the 25 EU member states as well as Mediterranean countries such as Israel, Jordan, Lebanon, Turkey and the Palestinian Authority – and importantly, the firm statement against terrorism was agreed by both Israelis and Palestinians.

The other main achievement of the Summit was the universal adoption of a five-year action plan to fight illegal immigration – including enhancing border control and reducing human trafficking, while launching development initiatives with Sub-Saharan Africa.

The Common Defence and Security Policy also continues to evolve. The External Affairs Council meeting on Monday, for example, examined the EU's role in Kosovo, particularly in policing and law enforcement.

And European leaders are expected to endorse a new strategy designed to build a more strategic relationship between the EU and Africa when they meet tomorrow.

The CDSF is not a single foreign policy – but a common one, and arguably more effective as a result.

Under the policy, the EU has a “Common Position” on Burma to bring pressure on the government to lift its repressive policies

towards the opposition. The Common Position bans visas for senior members of the Government, military and security forces, freezes any assets held in the EU and suspends all high-level political visits from the EU.

The EU also imposes Europe-wide sanctions on the Government of Zimbabwe, and is actively involved in post-conflict resolution and peace-keeping in the Balkans and Democratic Republic of Congo.

Iran

A major lobbying effort was undertaken by the E3 - the UK, France and Germany – on behalf of the Union over Iran's intention to resume centrifuge activity.

The International Atomic Energy Agency Board of Governors has repeatedly made clear that the decision raises real and urgent proliferation-related concerns given Iran's previous history.

The E3's proposals would have reaffirmed Iran's rights to the peaceful use of nuclear energy, exercised in conformity with the Non-Proliferation Treaty. It would have developed a framework that would provide Iran with assurances that it could rely on external fuel supplies for its light water power and research reactors; and would have promoted greater cooperation between Iran and Europe.

But Iran rejected the proposals - without discussion.

Europe has also made clear that any resumption of enrichment or enrichment related activity would seriously aggravate the situation created by Iran's resumption of uranium conversion.

The European Union has also raised concerns with Iran over violations of the rights of freedom of expression and freedom of association – rights enshrined in the International Covenant on Civil and Political Rights, to which Iran is a signatory.

This lobbying activity, which has found Australia very receptive, will continue.

Middle East Peace Process

I mentioned earlier the Common Defence and Security Policy, under which the EU is a member of the international “Quartet” (including the US, Russia and the UN) helping bring peace to the Israelis and Palestinians.

There has been positive development in the Middle East Peace Process. Under our Presidency, thanks to the work of Javier Solana and others, Palestinians are now able to travel to Egypt, because the European Union is now providing monitors at the Rafah border point.

This is a significant step forward in the peace process, and also in the development of a functioning and effective common foreign and security policy.

Indeed, Italian Foreign Minister Gianfranco Fini noted recently the historic nature of the Rafah decision.

Bilateral issues

A current bilateral issue with Australia is its visa regime for citizens of nine of the member states that joined in 2004. Australia offers access to its Electronic Travel Authority for the 15 older members plus Malta, but continues to discriminate against the nine newer members by requiring them to obtain an

E676 visa. This takes longer, is more expensive, and more difficult to obtain.

Some progress has been made, as a result of talks between the Commission and Australia, but we - and the rest of the Union - will continue to press for this discrimination to end.

Turkey and Croatia

Finally, there was the historic agreement during our Presidency to begin accession negotiations with Turkey and Croatia.

I note that Australia has welcomed the decision to begin negotiations, and indeed history may very well record that Turkey's

eventual accession may be the most important outcome of the Presidency.

Turkey is an important partner for Britain and the EU. It is a NATO ally, and an influential player in a key strategic region.

A stable, democratic and prosperous Turkey, anchored in the EU, would be an enormous prize – as well as a powerful demonstration that Islam, democracy, and economic success are compatible. More than 15 million European citizens are already followers of the Muslim faith.

Turkish membership will ensure closer collaboration on crucial cross-border issues

including drugs, crime, illegal immigration and people trafficking.

Turkey was a founding member of the Council of Europe, was invited to join NATO in 1952, and the 1963 Association Agreement recognised Turkey as, in principle, eligible for membership of the EU.

And at the informal, people-to-people level, Turkish sports clubs have long played in European competition.

Of course, negotiations will take time – both the EU and Turkey agreed that they would take at least 10 years.

Conclusion

So, much has been achieved, although we would have liked more progress on economic reform. But of course the Presidency is not yet over – the WTO ministerial is yet to conclude, and the summit beginning tomorrow (15 December) will be challenging, especially on the budget.

But, as we meet today, the UK Presidency is still a “work in progress”.

Thank you.